

**MANOR INDEPENDENT  
SCHOOL DISTRICT**

**ANNUAL FINANCIAL AND  
COMPLIANCE REPORT**

**Year Ended June 30, 2017**





MANOR INDEPENDENT SCHOOL DISTRICT  
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**CERTIFICATE OF THE BOARD**

**Manor Independent School District**  
Name of School District

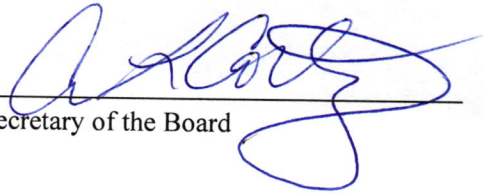
**Travis**  
County

**227-907**  
Co. - Dist. No.

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and approved for the year ended June 30, 2017, at a meeting of the board of trustees of such school district on December 18, 2017.



\_\_\_\_\_  
President of the Board



\_\_\_\_\_  
Secretary of the Board



## **FINANCIAL SECTION**





## REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees  
Manor Independent School District  
Manor, Texas

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Manor Independent School District (the "District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Board of Trustees  
Manor Independent School District

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7–14, and the budgetary comparison schedule and the required pension system information on pages 50-54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements, and required Texas Education Agency ("TEA") schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the required TEA schedules, as listed in the table of contents, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, required TEA schedules, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

To the Board of Trustees  
Manor Independent School District

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas  
December 13, 2017

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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## **MANOR INDEPENDENT SCHOOL DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Manor Independent School District ("District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2017.

#### **Financial Highlights**

The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$58,868,049 (*net position*). Of this amount, \$18,132,945 (*unrestricted net position*) may be used to meet the District's ongoing obligations to students and creditors.

- The District's total net position increased by \$12,500,524, including a prior period adjustment which decreased net position by \$931,817.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$107,938,551, a decrease of \$44,647,747 in comparison with the prior year, including a prior period adjustment to decrease fund balance in the general fund by \$710,028 and in the nonmajor governmental funds by \$221,798. The debt service fund balance increased by \$3,134,540 and the capital projects fund balance decreased by \$57,834,389.
- During the current fiscal year, unassigned fund balance for the general fund increased by \$9,911,319, to \$32,697,942, unassigned fund balance at year-end is 44 percent of general fund expenditures.
- The District's total bonded debt increased by \$16,615,000 (6 percent) during the current fiscal year as the result of the net effect of the scheduled payments on bond principal, the partial retirement of bonds series 2006, series 2008 and series 2014 due to the issue of the refunding bonds series 2016 and the tax school building bonds series 2017.

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

#### **Government-wide financial statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the District's assets and deferred outflows, liabilities and deferred inflows, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick leave).

**MANOR INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

The *government-wide financial statements* of the District are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include Instruction, Instructional Resources and Media Services, Curriculum and Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling, and Evaluation Services, Social Work Services, Health Services, Student Transportation, Food Services, Extracurricular Activities, General Administration, Facilities Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services, Interest on Long-term Debt, Bond Issuance Costs and Fees, Other Facility Costs, and Other Intergovernmental Charges.

**Fund financial statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds**

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains nineteen (19) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, capital projects fund and the debt service fund, all of which are considered to be major funds. Data from the other sixteen (16) governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in the financial statements. The District adopts an annual appropriated budget for its general fund, debt service fund, and child nutrition fund.

**Fiduciary funds**

The fiduciary funds are used to account for resources held for the benefit of students and employees. The District's *agency fund* is used to account for resources held in a custodial capacity by the District and consists of funds that are the property of students or others. The fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District's own programs. The funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation.



**MANOR INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Notes to financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Required supplementary information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The required supplementary information relates to comparison of the original adopted budget, the final amended budget, and the actual amounts for the fiscal year. This is required supplementary information for the general fund and any major special revenue funds. The District did not have any major special revenue funds, therefore only the general fund is presented as required supplementary information. This section also includes pension system information.

**Other information**

The combining and individual fund statements and schedules and other supplementary information are presented immediately following the required supplementary information.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$58,868,049 at the close of the most recent fiscal year.

A portion of the District's net position, \$8,435,571 reflects its investment in capital assets (e.g., land, buildings and improvements, furniture and equipment, construction in progress), less any outstanding related debt used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**MANOR INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Condensed Statement of Net Position**  
**June 30, 2017 and 2016**

	<b>Governmental Activities</b>		<b>Percentage Change</b>
	<b>2017</b>	<b>2016</b>	
Current and other assets	\$ 127,435,487	\$ 165,296,560	-23%
Capital assets	277,947,962	200,554,485	39%
<b>Total Assets</b>	<b>405,383,449</b>	<b>365,851,045</b>	<b>11%</b>
Deferred charge on refunding	8,460,517	7,351,933	15%
Deferred outflows relating to pension activities	8,000,546	7,787,870	3%
<b>Total Deferred Outflows of Resources</b>	<b>16,461,063</b>	<b>15,139,803</b>	<b>9%</b>
Current liabilities	22,632,309	14,902,203	52%
Long term liabilities	339,070,125	318,238,537	7%
<b>Total Liabilities</b>	<b>361,702,434</b>	<b>333,140,740</b>	<b>9%</b>
Deferred inflows relating to pension activities	1,274,029	1,482,583	-14%
<b>Total Deferred Inflows of Resources</b>	<b>1,274,029</b>	<b>1,482,583</b>	<b>-14%</b>
<b>Net Position</b>			
Net investment in capital assets	8,435,571	5,732,552	47%
Restricted for:			
Federal and State Grant Programs	1,683,223	2,234,452	-25%
Debt Service	30,616,310	28,162,754	9%
Unrestricted	18,132,945	10,237,767	77%
<b>Total Net Position</b>	<b>\$ 58,868,049</b>	<b>\$ 46,367,525</b>	<b>27%</b>

The unrestricted net position balance of \$18,132,945, may be used to meet the District's ongoing obligations to students and creditors. At the end of the current fiscal year, the District reports positive balances in net investment in capital assets, restricted, and unrestricted net position. The District's net position increased by \$12,500,524 during the current fiscal year.

**MANOR INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Comparative Schedule of Changes in Net Position**  
**For the Years Ended June 30, 2017 and 2016**

	<u>Governmental Activities</u>		<u>Percentage Change</u>
	<u>2017</u>	<u>2016</u>	
<b>Revenues</b>			
<b>Program revenues:</b>			
Charges for services	\$ 4,116,159	\$ 13,587,404	-70%
Operating grants	19,143,478	18,623,458	3%
<b>General revenues:</b>			
Property taxes	69,060,361	59,997,470	15%
State Aid - Formula Grants	32,465,041	29,569,130	10%
Interest earnings	551,214	699,055	-21%
Other	101,655	74,001	37%
<b>Total Revenues</b>	<u>125,437,908</u>	<u>122,550,518</u>	2%
<b>Expenses</b>			
Instruction	49,813,777	53,651,637	-7%
Instructional resources and media services	955,781	798,273	20%
Curriculum and staff development	3,085,164	2,678,093	15%
Instructional leadership	3,878,414	3,769,768	3%
School leadership	5,653,094	5,612,244	1%
Guidance, counseling, and evaluation service	2,635,485	3,135,540	-16%
Social work services	940,983	904,205	4%
Health services	909,365	888,856	2%
Student transportation	4,379,425	4,526,326	-3%
Food service	6,144,869	6,277,012	-2%
Extracurricular activities	2,343,494	2,963,133	-21%
General administration	3,848,435	3,926,857	-2%
Facilities, maintenance and operations	7,468,774	8,743,236	-15%
Security and monitoring services	911,194	1,042,262	-13%
Data processing services	2,756,019	3,095,600	-11%
Community services	938,153	1,565,441	-40%
Interest on long-term debt	10,832,293	10,700,887	1%
Bond issuance cost and fees	681,675	372,367	83%
Other facility costs	3,467,748	5,962,973	-42%
Payments to Juvenile Justice Alternative Education Programs		8,858	-100%
Other governmental charges	361,425	324,378	11%
<b>Total Expenses</b>	<u>112,005,567</u>	<u>120,947,946</u>	-7%
Increase (Decrease) in Net Position	13,432,341	1,602,572	738%
<b>Net position - as previously reported</b>	46,367,525	45,192,792	3%
<b>Prior period adjustment</b>	(931,817)	(427,839)	
<b>Net position - ending</b>	<u>\$ 58,868,049</u>	<u>\$ 46,367,525</u>	27%

**MANOR INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Governmental activities**

Governmental activities increased the District's net position by \$12,500,524, including a prior period adjustment to decrease net position by \$931,817. The prior period adjustment includes \$698,190 in understated payroll benefit liabilities, \$55,809 in understated receivable balances, and \$289,436 in understated liabilities; see additional information in Note 15 of the financial statements.

Revenues are generated primarily from three sources. Property taxes, state-aid formula grants, and operating grants and contributions represent 96 percent of total revenues. The remaining is generated from charges for services, investment earnings, and miscellaneous revenues.

	<u>Total Revenues</u>	<u>% of Total Revenues</u>
Property taxes	\$ 69,060,361	55%
State Aid - Formula Grants	32,465,041	26%
Operating grants and contributions	19,143,478	15%
Other revenue	4,769,028	4%
<b>Total Revenues</b>	<u>\$ 125,437,908</u>	<u>100%</u>

The primary functional expenses of the District are instruction and facilities maintenance and operations, which represent percent of total expenses. The remaining individual functional categories of expenses are each less than 7 percent of total expenses.

	<u>Total Expenses</u>	<u>% of Total Expenses</u>
Instruction	\$ 49,813,777	44%
Facilities maintenance and operations	7,468,774	7%
Interest on long-term debt	10,832,293	10%
Other expenses	43,890,723	39%
<b>Total Expenses</b>	<u>\$ 112,005,567</u>	<u>100%</u>

**Financial Analysis of the Government's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds**

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$107,938,551, a decrease of \$44,647,747 in comparison with the prior year. The decrease in ending governmental fund balances is primarily due to a \$57.83 million decrease in Capital Projects fund balance due to ongoing construction projects.

**MANOR INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

The general fund is the chief operating fund of the District. At the end of the current fiscal year, total fund balance of the general fund was \$32,697,942, all of which is unassigned. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 44 percent of total general fund expenditures. The fund balance of the District's general fund increased by \$9,911,319 during the current fiscal year, which included a prior period adjustment of \$710,028 to decrease fund balance.

The debt service fund has a total fund balance of \$35,778,123, all of which is restricted for the payment of debt service. The net increase in the debt service fund balance during the current year of \$3,134,540 was attributable to the issuance of refunding bond series 2016 to refund a portion of the District's outstanding bonds.

The capital projects fund has a total fund balance of \$37,779,263, all of which is restricted for capital acquisitions as authorized by the issued bonds. The net decrease in the capital projects fund balance during the current year of \$57,834,389 was attributable to the ongoing construction in progress, in addition the district issued tax school building bond series 2017 during the fiscal year.

**General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget of the general fund can be briefly summarized as follows:

	<b>Budget</b>	
	<b>Original</b>	<b>Final Amended</b>
Total revenues	\$ 77,250,740	\$ 79,866,518
Total expenditures	(78,221,981)	(78,843,540)
Other financing sources (uses)	(250,000)	
Net change in fund balance	<u>\$ (1,221,241)</u>	<u>\$ 1,022,978</u>

Budget amendments were adopted by the Board of Trustees throughout the year due to varying revenue estimates and a reallocation of district expenditures. Each budget amendment was a projection of the district's categorization of funds and authorized allocation.

**Capital Assets and Long-term Liabilities**

**Capital assets**

The District's investment in capital assets for its governmental type activities as of June 30, 2017, includes land, buildings and improvements, furniture and equipment, and construction in progress. The investment in capital assets for the current fiscal year was . The following table summarizes the investment in capital assets (net of accumulated depreciation) as of June 30, 2017 and 2016.

	<b>2017</b>	<b>2016</b>
Land	\$ 17,900,974	\$ 17,900,974
Buildings and improvements	155,921,315	161,149,003
Furniture and equipment	5,702,105	6,892,969
Construction in progress	98,423,568	14,611,539
<b>Total</b>	<u>\$ 277,947,962</u>	<u>\$ 200,554,485</u>

Additional information on the District's capital assets can be found in the notes to the financial statements.

**MANOR INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Long-term liabilities**

At the end of the current fiscal year, the District had \$288,449,999 in bonded debt outstanding, an increase of \$16,615,000 over the previous year. The District's bonds were sold with an "AAA" rating and are guaranteed through the Texas Permanent School Fund Guarantee Program or by a municipal bond insurance policy. The underlying rating of the bonds from Standard and Poor's is "AA-" and from Moody's Investors Service is "A1" for general obligation debt.

Changes in bonds payable for the year ended August 31, 2017 are as follows:

<b>Outstanding</b> <b>07/01/16</b>	<b>Issued</b>	<b>Retired</b>	<b>Outstanding</b> <b>06/30/17</b>
<u>\$ 271,834,999</u>	<u>\$ 48,270,000</u>	<u>\$ (31,655,000)</u>	<u>\$ 288,449,999</u>

Additional information on the District's long-term liabilities can be found in the notes to the financial statements.

**Economic Factors and Next Year's Budgets and Rates**

The District's 2018 budget was based on a tax rate of \$1.515 of which \$1.04 is for maintenance and operations and \$0.475 of for debt service. This rate was unchanged from the previous year.

Student enrollment for 2017-18 has grown by approximately 300 students. New housing continues to be built within Manor ISD boundaries. As a result we expect continued growth in students as new housing becomes available.

We expect to see modest increases in property values due to new residential and commercial properties being added to the tax rolls.

**Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office at Manor Independent School District, 10335 US Hwy 290E Manor, Texas.

## **BASIC FINANCIAL STATEMENTS**

**MANOR INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
*June 30, 2017*

*Exhibit A-1*

<u>Data Control Codes</u>		<u>Governmental Activities</u>
<b>Assets</b>		
1110	Cash and cash equivalents	\$ 113,242,352
1225	Property taxes receivables, net	1,908,189
1240	Due from other governments	12,260,947
1290	Other receivables, net	4,265
1300	Inventories	19,734
	Capital assets not subject to depreciation:	
1510	Land	17,900,974
1580	Construction in progress	98,423,568
	Capital assets net of depreciation:	
1520	Buildings and improvements, net	155,921,315
1530	Furniture and equipment, net	5,702,105
<b>1000</b>	<b>Total Assets</b>	<u>405,383,449</u>
<b>Deferred Outflows of Resources</b>		
1700	Deferred charge on refunding	8,460,517
1705	Deferred outflows relating to pension activities	8,000,546
	<b>Total Deferred Outflows of Resources</b>	<u>16,461,063</u>
<b>Liabilities</b>		
2110	Accounts payable	10,879,576
2140	Interest payable	5,043,562
2150	Payroll deductions and withholdings	609,883
2160	Accrued wages payable	5,919,452
2190	Due to student groups	120,834
2300	Unearned revenue	59,002
	Noncurrent Liabilities:	
2501	Due within one year	9,430,421
2502	Due in more than one year	307,546,936
2540	Net pension liability	22,092,768
<b>2000</b>	<b>Total Liabilities</b>	<u>361,702,434</u>
<b>Deferred Inflows of Resources</b>		
2605	Deferred inflows relating to pension activities	1,274,029
	<b>Total Deferred Inflows of Resources</b>	<u>1,274,029</u>
<b>Net Position</b>		
3200	Net investment in capital assets	8,435,571
	Restricted for:	
3820	Federal and state programs	1,683,223
3850	Debt service	30,616,310
3900	Unrestricted	18,132,945
<b>3000</b>	<b>Total net position</b>	<u>58,868,049</u>

See Notes to the Financial Statements.



**MANOR INDEPENDENT SCHOOL DISTRICT**

*Exhibit B-1*

**STATEMENT OF ACTIVITIES**

*For the Year Ended June 30, 2017*

Data Control Codes	Functions/Programs	Program Revenue		Net (Expense) Revenue and Changes in Net Position	
		Expenses	Charges for Services	Operating Grants and Contributions	
				Primary Governmental Activities	
	<b>Governmental activities:</b>				
11	Instruction	\$ 49,813,777	\$ 3,047,547	\$ 6,605,489	\$ (40,160,741)
12	Instructional resources and media services	955,781		48,325	(907,456)
13	Curriculum and staff development	3,085,164		1,565,783	(1,519,381)
21	Instructional leadership	3,878,414		732,497	(3,145,917)
23	School leadership	5,653,094		360,571	(5,292,523)
31	Guidance, counseling, and evaluation services	2,635,485		582,287	(2,053,198)
32	Social work services	940,983		165,086	(775,897)
33	Health services	909,365		1,995,660	1,086,295
34	Student transportation	4,379,425		243,332	(4,136,093)
35	Food service	6,144,869	900,763	4,822,071	(422,035)
36	Extracurricular activities	2,343,494	75,669	52,525	(2,215,300)
41	General administration	3,848,435		240,934	(3,607,501)
51	Facilities, maintenance and operations	7,468,774	92,180	301,279	(7,075,315)
52	Security and monitoring services	911,194		24,630	(886,564)
53	Data processing services	2,756,019		1,150,356	(1,605,663)
61	Community services	938,153		252,653	(685,500)
72	Interest on long-term debt	10,832,293			(10,832,293)
73	Bond issuance cost and fees	681,675			(681,675)
81	Other facility costs	3,467,748			(3,467,748)
99	Other governmental charges	361,425			(361,425)
<b>TG</b>	<b>Total governmental activities</b>	<b>\$ 112,005,567</b>	<b>\$ 4,116,159</b>	<b>\$ 19,143,478</b>	<b>(88,745,930)</b>

**Data Control Codes**

<b>General revenues:</b>		
Taxes:		
<b>MT</b>	Property taxes, levied for general purposes	42,335,560
<b>DT</b>	Property taxes, levied for debt service	26,724,801
<b>SF</b>	State-aid formula grants	32,465,041
<b>IE</b>	Investment earnings	551,214
<b>MI</b>	Miscellaneous	101,655
<b>TR</b>	<b>Total general revenues</b>	<b>102,178,271</b>
<b>CN</b>	Change in net position	13,432,341
<b>NB</b>	<b>Net position - beginning</b>	<b>46,367,525</b>
<b>PA</b>	Prior period adjustments	(931,817)
<b>NE</b>	<b>Net position - ending</b>	<b>\$ 58,868,049</b>

See Notes to the Financial Statements.

MANOR INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2017

Exhibit C-1

Data Control Codes		General Fund	Debt Service Funds	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>						
1110	Cash and cash equivalents	\$ 28,128,135	\$ 34,167,377	\$ 49,070,313	\$ 1,876,527	\$ 113,242,352
<b>Receivables:</b>						
1220	Delinquent property taxes receivables	3,890,747	1,146,842			5,037,589
1230	Allowance for uncollectible taxes (credit)	(2,555,600)	(573,800)			(3,129,400)
1240	Receivables from other governments	10,243,746			2,017,201	12,260,947
1260	Due from other funds	3,106,164	1,610,746		262,109	4,979,019
1290	Other receivables	4,265				4,265
1300	Inventories, at cost				19,734	19,734
<b>1000</b>	<b>Total Assets</b>	<u>\$ 42,817,457</u>	<u>\$ 36,351,165</u>	<u>\$ 49,070,313</u>	<u>\$ 4,175,571</u>	<u>\$ 132,414,506</u>
<b>Liabilities, Deferred Inflows, and Fund Balance</b>						
<b>Liabilities:</b>						
2110	Accounts payable	\$ 936,820	\$	\$ 9,416,899	\$ 525,857	\$ 10,879,576
2140	Interest payable	2,683				2,683
2150	Payroll deduction and withholdings payable	559,570			47,630	607,200
2160	Accrued wages payable	5,536,526		2,707	380,219	5,919,452
2170	Due to other funds	1,748,769		1,871,444	1,358,806	4,979,019
2190	Due to student groups				120,834	120,834
2300	Unearned revenues				59,002	59,002
<b>2000</b>	<b>Total Liabilities</b>	<u>8,784,368</u>		<u>11,291,050</u>	<u>2,492,348</u>	<u>22,567,766</u>
<b>Deferred Inflows of Resources</b>						
2600	Unavailable property tax revenues	1,335,147	573,042			1,908,189
	<b>Total Deferred Inflows of Resources</b>	<u>1,335,147</u>	<u>573,042</u>			<u>1,908,189</u>
<b>Fund Balances:</b>						
<b>Restricted:</b>						
3450	Federal/State grant restrictions				1,523,259	1,523,259
3470	Capital acquisitions			37,779,263		37,779,263
3480	Debt service		35,778,123			35,778,123
3490	Local grants				159,964	159,964
3600	<b>Unassigned</b>	<u>32,697,942</u>				<u>32,697,942</u>
<b>3000</b>	<b>Total fund balances</b>	<u>32,697,942</u>	<u>35,778,123</u>	<u>37,779,263</u>	<u>1,683,223</u>	<u>107,938,551</u>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>						
<b>4000</b>	<b>Balances</b>	<u>\$ 42,817,457</u>	<u>\$ 36,351,165</u>	<u>\$ 49,070,313</u>	<u>\$ 4,175,571</u>	<u>\$ 132,414,506</u>

See Notes to the Financial Statements.

**MANOR INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO**  
**STATEMENT OF NET POSITION**  
*June 30, 2017*

*Exhibit C-2*

<u>Data Control Codes</u>		
	<b>Total fund balance, governmental funds</b>	\$ 107,938,551
	Amounts reported for governmental activities in the statement of net position (A-1) are different because:	
<b>1</b>	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets at historical cost, net of accumulated depreciation, where applicable.	277,947,962
<b>2</b>	Property taxes receivable have been levied and are due this year, but are not available soon enough to pay for the current period's expenditures, these property taxes and related penalty and interest amounts (net of allowance for uncollectible accounts).	1,908,189
<b>3</b>	Deferred charge on refunding	8,460,517
<b>4</b>	Deferred outflows relating to pension activities	8,000,546
	Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
<b>5</b>	General obligation bonds	(288,449,999)
<b>6</b>	Premiums on issuance	(27,302,172)
<b>7</b>	Accreted interest on capital appreciation bonds	(691,293)
<b>8</b>	Accrued compensated absences	(533,893)
<b>9</b>	Accrued interest payable	(5,043,562)
<b>10</b>	Net pension liability	(22,092,768)
<b>11</b>	Deferred inflows relating to pension activities	(1,274,029)
<b>19</b>	<b>Net position - governmental activities</b>	<u>\$ 58,868,049</u>

See Notes to the Financial Statements.

**MANOR INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2017**

Exhibit C-3

<b>Data Control Codes</b>	<b>General Fund</b>	<b>Debt Service Funds</b>	<b>Capital Projects Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>					
5700 Local, intermediate, and out-of-state	\$ 45,539,269	\$ 26,795,487	\$ 342,930	\$ 1,233,800	\$ 73,911,486
5800 State program revenues	35,655,679	238,297		831,667	36,725,643
5900 Federal program revenues	3,099,616			10,841,181	13,940,797
<b>5020 Total revenues</b>	<b>84,294,564</b>	<b>27,033,784</b>	<b>342,930</b>	<b>12,906,648</b>	<b>124,577,926</b>
<b>Expenditures</b>					
<b>Current:</b>					
0011 Instruction	39,772,177		96,352	4,160,618	44,029,147
0012 Instructional resources and media services	719,901			467	720,368
0013 Curriculum and staff development	1,405,432			1,504,463	2,909,895
0021 Instructional leadership	3,116,688			586,490	3,703,178
0023 School leadership	5,268,316			82,026	5,350,342
0031 Guidance, counseling and evaluation services	2,056,255			452,459	2,508,714
0032 Social work services	783,174			123,659	906,833
0033 Health services	849,642		10,000		859,642
0034 Student transportation	3,725,602		920,273	6,126	4,652,001
0035 Food services				6,332,615	6,332,615
0036 Extracurricular activities	1,243,901			4,651	1,248,552
0041 General administration	3,542,418		1,075		3,543,493
0051 Facilities maintenance and operations	7,178,607		29,325		7,207,932
0052 Security and monitoring services	884,840				884,840
0053 Data processing services	2,056,958		340,188	20,299	2,417,445
0061 Community services	707,881			202,020	909,901
<b>Debt service:</b>					
0071 Principal on long-term debt		4,855,000			4,855,000
0072 Interest on long-term debt		11,523,495			11,523,495
0073 Bond issuance costs and fees		322,751	358,924		681,675
<b>Capital outlay:</b>					
0081 Facilities acquisition and construction			86,779,748		86,779,748
<b>Intergovernmental:</b>					
0099 Other governmental charges	361,425				361,425
<b>6030 Total Expenditures</b>	<b>73,673,217</b>	<b>16,701,246</b>	<b>88,535,885</b>	<b>13,475,893</b>	<b>192,386,241</b>
1100 Excess (deficiency) of revenues over expenditures	10,621,347	10,332,538	(88,192,955)	(569,245)	(67,808,315)
<b>Other Financing Sources (Uses)</b>					
7901 Refunding bonds issued		18,315,000			18,315,000
7911 Capital-related debt issued (regular bonds)			29,955,000		29,955,000
7916 Premium on issuance of bonds		3,145,764	403,566		3,549,330
8949 Other uses		(28,658,762)			(28,658,762)
<b>7080 Total other financing sources and uses</b>		<b>(7,197,998)</b>	<b>30,358,566</b>		<b>23,160,568</b>
1200 Net change in fund balances	10,621,347	3,134,540	(57,834,389)	(569,245)	(44,647,747)
<b>0100 Fund Balance - beginning</b>	<b>22,786,623</b>	<b>32,643,583</b>	<b>95,613,652</b>	<b>2,474,257</b>	<b>153,518,115</b>
1300 Prior period adjustment	(710,028)			(221,789)	(931,817)
<b>3000 Fund Balance - ending</b>	<b>\$ 32,697,942</b>	<b>\$ 35,778,123</b>	<b>\$ 37,779,263</b>	<b>\$ 1,683,223</b>	<b>\$ 107,938,551</b>

See Notes to the Financial Statements.

**MANOR INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE FOR GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
*For the Year Ended June 30, 2017*

*Exhibit C-4*

<u>Data Control Codes</u>		
	Net change in fund balances - total governmental funds (from C-3)	\$ (44,647,747)
	Amounts reported for governmental activities in the statement of activities (B-1) are different because:	
	Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
1	Governmental funds capital outlays	85,151,673
2	Governmental funds depreciation expense	(7,758,196)
3	Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	138,376
4	Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	4,855,000
	Proceeds from issuance of long-term debt is reported as an other financing source in the governmental funds. In the government-wide financial statements, proceeds are treated as an increase in long-term liabilities and amounts paid to refunding agents are treated as a decrease in long-term liabilities.	
5	Proceeds from issuance on refunding bonds	(18,315,000)
6	Proceeds from issuance on capital-related debt (regular bonds)	(29,955,000)
7	Premium on issuance of bonds	(3,549,330)
8	Payment to escrow agent for refunding	28,658,762
9	Pension contributions made during the current fiscal year are reported as expenditures in the governmental funds and are reported as deferred outflows and reductions in net pension liability as opposed to expenses in the statement of activity.	1,699,030
	Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:	
10	Pension expense for the pension plan measurement year	(3,397,792)
11	Increase in interest payable not recognized in fund statements	(149,991)
12	Increase in long-term portion of accrued compensated absences	(138,637)
13	Accumulated accretion	(21,245)
14	Amortization of premium on issuance	1,369,945
15	Amortization of deferred charge on refunding	(507,507)
	<b>Change in net position of governmental activities (see B-1)</b>	<u>\$ 13,432,341</u>

See Notes to the Financial Statements.

**MANOR INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**June 30, 2017**

*Exhibit E-1*

<u>Data Control Codes</u>		<u>Student Activity Agency Fund</u>
	<b>Assets</b>	
1110	Cash and cash equivalents	\$ 167,406
1000	<b>Total Assets</b>	<u>\$ 167,406</u>
	<b>Liabilities</b>	
2190	Due to others	167,406
2000	<b>Total Liabilities</b>	<u>\$ 167,406</u>

See Notes to the Basic Financial Statements.

**Note 1 - Summary of Significant Accounting Policies**

**Reporting Entity**

The Manor Independent School District (the “District”) is governed by a seven-member Board of Trustees (the “Board”), which has governance responsibilities over all activities related to public elementary and secondary education within the District. Because members of the Board are elected by the public; have authority to make decisions; appoint management and significantly influence operations; and have primary accountability for fiscal matters; the District is not included in any other governmental reporting entity. There are no component units, entities for which the District is considered to be financially accountable, included within the reporting entity.

The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities.

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to students or users who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, while the agency funds have no measurement of focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The fiduciary fund financial statement reflects the District’s agency fund. The agency fund has no measurement focus, but utilizes the accrual basis of accounting.

**Note 1 - Summary of Significant Accounting Policies (continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

Grant revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

- The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *capital projects fund* accounts for the proceeds from long-term debt financing and revenues and expenditures related to authorized acquisition, construction, or renovations as well as furnishing and equipping capital facilities.
- The *debt service funds* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The District reports the following nonmajor governmental funds:

- The *special revenue funds* account for resources restricted to or committed for specific purposes by a grantor, or for resources that are committed for specific purposes by the Board. Most federal and some state financial assistance is accounted for in a special revenue fund and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Additionally, the District reports the following fund type:

- The *agency fund* is used to account for assets held by the District as an agent for student organizations and the tax office. The fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operation.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to students or users for goods, services, or privileges provided and 2) operating grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and investment income.

**Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, investment pools, and short-term investments with original maturities of one year or less from the date of acquisition.

Investments with an original maturity greater than one year from date of purchase are stated at fair value based on quoted market prices as of year-end, except for nonparticipating interest-earning investment contracts which are reported at cost. Investments with an original maturity of less than one year are reported at amortized cost.



**Note 1 - Summary of Significant Accounting Policies (continued)**

The District categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Property tax receivables include unpaid property taxes at year-end and are shown net of an allowance for uncollectibles. Revenues from property taxes are recognized when levied to the extent they are available. The District considers property taxes as available when collected. However, not all outstanding property taxes are expected to be collected within one year of the date of the financial statements. Property values are determined by the Travis County Appraisal District as of January 1 of each year. Prior to September 1 of each year, the District must adopt its annual budget and as soon thereafter as practicable, shall adopt a tax rate thus creating the tax levy.

Property taxes for the current calendar year are levied on approximately October 1 of each year and are payable by January 31 of the following year. Property tax receivables are recorded as of the date levied. Unpaid taxes become delinquent on February 1 and a tax lien on real property is created as of July 1 of each year.

**Capital Assets**

Capital assets, which include land, construction in progress, buildings and improvements, and furniture and equipment, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost that equals or exceeds \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings and improvements, and furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building improvements	10 to 40 years
Furniture and equipment	4 to 10 years

**Note 1 - Summary of Significant Accounting Policies (continued)**

**Compensated Absences**

Compensated absences are absences for which employees will be paid. All 12-month employees may accumulate up to 30 vacation or nonduty days. Unused vacation or nonduty days shall be compensated at the employee's current daily rate at the time of termination of employment from the District. No employee shall be paid for more than 30 days of vacation or nonduty days.

A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the government and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or such events take place.

The compensated absences liability is reported in long-term liabilities on the statement of net position.

**Long-term Obligations**

In the government-wide financial statements, long-term debt and long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Premiums and discounts are presented as a component of liabilities while deferred charges on refundings are presented as deferred outflows of resources. Both items are deferred and amortized over the life of the related debt using the straight line method. Long-term debt is reported net of the applicable premium or discount. Bond issuance costs are expensed in the year incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund.

**Deferred Outflows/Inflows of Resources**

Deferred outflows and inflows of resources are reported in the statement of financial position as described below:

*A deferred outflow of resources* is a consumption of a government's net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District has two items that qualify for reporting in this category:

- Deferred charge on refunding - Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**Note 1 - Summary of Significant Accounting Policies (continued)**

**Deferred Outflows/Inflows of Resources (continued)**

- Deferred outflows relating to pension activities – Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of 1) differences between projected and actual earnings on pension plan investments; 2) changes in actuarial assumptions; 3) differences between expected and actual actuarial experiences and 4) changes in the District's proportional share of pension liabilities. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five year period. The remaining pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

A *deferred inflow of resources* is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District has two items that qualify for reporting in this category:

- Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District reported property taxes that are unavailable as deferred inflows of resources on the fund financial statements.
- Deferred inflows relating to pension activities – Reported in the government-wide financial statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions; 2) differences between expected and actual actuarial experiences and 3) changes in the District's proportional share of pension liabilities. These pension related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

**Pensions**

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Note 1 - Summary of Significant Accounting Policies (continued)**

**Net Position**

Net Position on the Statement of Net Position includes the following:

- Net investment in capital assets - this component of net position consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt will be included in this component of net position.
- Restricted for federal and state programs - this component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets, which are restricted by federal and state granting agencies.
- Restricted for Debt Service - this component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. The assets arise from bond issuances which have constraints placed on them by the bond covenants for the purpose of future debt service payments.
- Unrestricted net position - this component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

**Fund Balance**

The fund balance in governmental funds has been classified as follows to describe the nature and relative strength of the spending constraints:

- Restricted fund balance – amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors. The fund balances for the Child Nutrition Fund and other grant funds are classified as restricted.
- Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision making authority (i.e. the Board of Trustees). To be reported as committed, amounts cannot be used for any other purposes unless the District takes the same highest level of action to remove or change the constraint. The fund balance of the campus activity fund is committed for use at the campuses per board policy.
- Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the District or by an official or body to which the Board of Trustees delegates the authority. The Board of Trustees has retained this authority. There was no assigned fund balance during the current fiscal year.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

**Note 1 - Summary of Significant Accounting Policies (continued)**

**Fund Balance (continued)**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees have provided otherwise in their commitment or assignment actions. In the fund financial statements, certain governmental funds report restrictions of the entire fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Since the entire fund balance is restricted for these funds, all assets are in essence restricted for their specified purpose.

When the District incurs an expense for which it may use either restricted or unrestricted resources, it uses the restricted resources first unless unrestricted resources will have to be returned because they were not used.

**Data Control Codes**

The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency (TEA) in the Financial Accountability System Resource Guide. TEA requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a statewide database for policy development and funding plans.

In accordance with the Resource Guide, the District has adopted and installed an accounting system which meets at least the minimum requirements prescribed by the Texas State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Resource Guide. Mandatory codes are recorded in the order provided in the Resource Guide.

**Use of Estimates**

The presentation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**New Accounting Standards**

In the current fiscal year, the District implemented the following new standards. The applicable provisions of these new standards are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

*GASB Statement No. 82, Pension Issues-An amendment of GASB Statements No. 67, No. 68 and No. 73,* addresses the presentation of payroll-related measures in required supplementary information, selection of assumptions and the treatment of deviations from the guidance in an actuarial standard of practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee contribution requirements.

**Note 1 - Summary of Significant Accounting Policies (continued)**

**New Accounting Standards (continued)**

*GASB Statement No. 77, Tax Abatement Disclosures*, applies to financial reports of all state and local governmental entities, addresses the reduction of tax revenues resulting from an agreement between a government and an individual in which the government forgoes tax revenues and the individual promises to take specific action as a result of the agreement that contributes to the economic development to benefit the government or citizens of the government, and relates to agreements entered into by the reporting government or agreements entered into by other governments that reduce the reporting government's tax revenues.

**Note 2 - Deposits and Investments**

**Cash Deposits**

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the District's and the depository banks' agent bank. The pledged securities are approved by the Texas Education Agency and shall be in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

At June 30, 2017, all of the District's time and demand deposits were covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name; therefore the District was in compliance with the Texas School Depository Act.

**Investments**

The District's investment policy is in accordance with the Public Funds Investment Act, the Public Funds Collateral Act, and federal and state laws. The District further limits its investments to obligations of the U.S. Treasury or the State of Texas, certain U.S. Agencies, certificates of deposit, collateralized mortgage obligations, no-load money market mutual funds, certain municipal securities, qualified commercial paper, repurchase agreements, or investment pools.

The District participates in the Texas Local Government Investment Pool ("TexPool"), a public funds investment pool created by the Texas Treasury Safekeeping Trust Company (Trust Company) to provide a safe environment for the placement of local government funds in authorized short-term, fully collateralized investments, including direct obligations of, or obligations guaranteed by, the United States or State of Texas or their agencies; federally insured certificates of deposit issued by Texas banks or savings and loans; and fully collateralized direct repurchase agreements secured by United States Government agency securities and placed through a primary government securities dealer.

In accordance with GASB Statement No. 79, Certain External Investment Pools and Pool Participants, the Local Government Investment Pool does not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

**MANOR INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

*Exhibit F-1*  
*(continued)*

**Note 2 - Deposits and Investments (continued)**

At year-end, the District's cash and investment balances and the weighted average maturity of these investments were as follows:

	<u>Amortized Cost/ Fair Market Value</u>	<u>Percentage of Portfolio</u>	<u>Weighted Average Maturity (Days)</u>	<u>Credit Quality Rating*</u>
<b>Governmental Activities</b>				
Cash and deposits	\$ 40,537,448	36%	N/A	N/A
<b>Certificates of deposit</b>	<u>1,000,000</u>	1%	192	N/A
<b>Investments</b>				
Local Government Investment Pools:				
TexPool	<u>7,727,582</u>	7%	38	AAAm
	<u>7,727,582</u>			
Investment Securities:				
Federal Home Loan Bank	1,996,712	2%	312	AA+
Federal Agricultural Mortgage Corporation	1,997,852	2%	293	AA+
Repurchase Agreement	24,049,521	21%	107	A-
Commercial Paper	<u>35,933,237</u>	32%	53	A-1
	<u>63,977,322</u>			
<b>Total Investments</b>	<u>72,704,904</u>		85	
<b>Total Governmental Activities</b>	<u>113,242,352</u>			
<b>Fiduciary Funds</b>				
Cash and Deposits	<u>167,406</u>	0%	N/A	N/A
<b>Total Fiduciary Funds</b>	<u>167,406</u>			
<b>Total</b>	<u>\$ 113,409,758</u>			

\*Standard & Poors

Due to the immediate availability of funds, the District's temporary investments at June 30, 2017 are included in cash and cash equivalents.

**Note 2 - Deposits and Investments (continued)**

Investment Securities' fair value measurements are as follows at June 30, 2017:

	Amortized Cost/ Fair Market Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
<b>Investment Securities:</b>				
Federal Home Loan Bank	1,996,712		1,996,712	
Federal Agricultural Mortgage Corporation	1,997,852		1,997,852	
Repurchase Agreement	24,049,521	24,049,521		
Commercial Paper	35,933,237	35,933,237		
	<u>\$ 63,977,322</u>	<u>\$ 59,982,758</u>	<u>\$ 3,994,564</u>	<u>\$</u>

In prior fiscal years, the District entered into an Investment Repurchase Agreement with Deutsche Bank Securities, Inc. The repurchase agreement is presented as a cash equivalent in the Capital Projects Fund and is presented on a cost basis. The investment is considered a nonparticipating interest earning investment contract, therefore, a cost-based measure is used for reporting.

As of June 30, 2017, the repurchase agreement information is summarized as follows:

Repurchase Agreement	Carrying Value	Maturity Date	Interest Rate	Rating*	Percentage of all investments	Fair Market Value of Pledged Security	Collateral Percentage
Deutsche Bank Securities Inc.	\$ 24,049,521	10/15/2017	0.50%	A-	1.25%	\$ 24,526,165	101.98%

\*Standard & Poor's

Additional policies and contractual provisions governing deposits and investments for the District are specified below:

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. To limit the risk that changes in interest rates will adversely affect the fair value of the investments, the District monitors interest rate risk utilizing weighted average maturity (WAM) analysis. The District requires its investment portfolio to have maturities of less than one year on a WAM basis. However, specific to the District's debt service funds, maturities longer than one year are authorized within legal limits and as long as sufficient investment liquidity to timely meet debt service payment obligations is maintained. The long-term investment the District currently holds, which has no call options, is due when the debt instrument is due and the District intends to hold the investment until maturity, thereby reducing its risk of loss due to changes in the fair value of the investment.

**Credit Risk**

State law and the District's investment policy limits investments in all categories to top ratings issued by nationally recognized statistical rating organizations

**Concentration of Credit Risk**

For temporary investments, to limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District's policy states that the portfolio must be diversified. Concentration of Credit Risk is not applicable to investment pools since the purpose of these pools is to diversify the District's investment portfolio. For long-term investments - To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District's policy states that the portfolio must be diversified. The long-term investment the District currently holds is less than its total investments.



**Note 3 - Receivables and Unearned Revenues**

Receivables as of year-end for the District's individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<b>General Fund</b>	<b>Debt Service Funds</b>	<b>Nonmajor Governmental Funds</b>	<b>Total</b>
Property Taxes	\$ 3,890,747	\$ 1,146,842	\$	\$ 5,037,589
Due from other governments	10,243,746		2,017,201	12,260,947
Other	4,265			4,265
Gross Receivables	14,138,758	1,146,842	2,017,201	17,302,801
Less allowance for doubtful accounts	(2,555,600)	(573,800)		(3,129,400)
<b>Net Total Receivables</b>	<b>\$ 11,583,158</b>	<b>\$ 573,042</b>	<b>\$ 2,017,201</b>	<b>\$ 14,173,401</b>

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, District reported unearned revenues in the governmental funds in the amount of \$59,002, for grant funds received prior to meeting all eligibility requirements.

**Note 4 - Interfund Receivables, Payables, and Transfers**

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from payroll, warehouse ordering and other regularly occurring charges that are paid by the general fund and then charged back to the appropriate other fund. Additionally, some lending/borrowing may occur between two or more nonmajor governmental funds.

The composition of interfund balances as of June 30, 2017, is as follows:

	<b>Interfund Receivable</b>	<b>Interfund Payable</b>	<b>Net</b>
<b>Governmental Activities</b>			
General Fund	\$ 3,106,164	\$ 1,748,769	\$ 1,357,395
Debt Service Funds	1,610,746		1,610,746
Capital Projects Funds		1,871,444	(1,871,444)
Nonmajor Governmental Funds	262,109	1,358,806	(1,096,697)
<b>Total Governmental Funds</b>	<b>\$ 4,979,019</b>	<b>\$ 4,979,019</b>	<b>\$</b>

**MANOR INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

*Exhibit F-1*  
*(continued)*

**Note 5 - Capital Assets**

Capital asset activity for the year ended June 30, 2017, was as follows:

	<b>Balance June 30, 2016</b>	<b>Additions</b>	<b>(Retirements and Transfers)</b>	<b>Balance June 30, 2017</b>
Capital assets, not being depreciated:				
Land	\$ 17,900,974	\$	\$	\$ 17,900,974
Construction in progress	14,611,539	84,059,000	(246,971)	98,423,568
<b>Total Capital assets, not being depreciated</b>	<b>32,512,513</b>	<b>84,059,000</b>	<b>(246,971)</b>	<b>116,324,542</b>
Capital assets, being depreciated:				
Buildings and improvements	221,228,392		246,971	221,475,363
Furniture and equipment	20,420,474	1,092,673		21,513,147
<b>Total Capital assets, being depreciated</b>	<b>241,648,866</b>	<b>1,092,673</b>	<b>246,971</b>	<b>242,988,510</b>
Less accumulated depreciation for:				
Buildings and improvements	(60,079,389)	(5,474,659)		(65,554,048)
Furniture and Equipment	(13,527,505)	(2,283,537)		(15,811,042)
<b>Total Accumulated depreciation</b>	<b>(73,606,894)</b>	<b>(7,758,196)</b>		<b>(81,365,090)</b>
<b>Governmental Capital Assets</b>	<b>\$ 200,554,485</b>	<b>\$ 77,393,477</b>	<b>\$</b>	<b>\$ 277,947,962</b>

Depreciation expense was charged to functions/programs of the District as follows:

<b>Function</b>	<b>Depreciation Expense</b>
Instruction	\$ 4,330,625
Instructional resources and media services	208,973
Curriculum and staff development	108,828
Instructional leadership	25,589
School leadership	100,017
Guidance, counseling and evaluation services	32,692
Social work services	8,915
Health services	21,986
Student transportation	553,480
Food Services	535,538
Extracurricular activities	1,068,309
General administration	252,324
Facilities maintenance and operations	198,269
Security and monitoring services	4,565
Data processing services	306,259
Community services	1,827
	<b>\$ 7,758,196</b>

**MANOR INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

*Exhibit F-1*  
*(continued)*

**Note 5 - Capital Assets (continued)**

Construction budgets and remaining commitments under related construction contracts as of June 30, 2017, follows:

<b>Project</b>	<b>Approved Construction Budget</b>	<b>Construction in Progress</b>	<b>Remaining Commitment</b>
Athletics Improvement	\$ 5,202,017	\$ 2,139,249	3,062,768
Energy Efficient	10,771,838	5,614,461	5,157,377
DES Restoration	294,597	288,550	6,047
New Tech HS Renovations	2,000,000	312,084	1,687,916
Assessment Based	6,711,430	926,576	5,784,854
Lagos Elementary School	21,668,675	23,322,765	(1,654,090)
Manor Senior High	54,798,589	36,514,855	18,283,734
New Tech Middle School	32,856,538	26,951,891	5,904,647
MAP relocatons	524,984	413,112	111,872
OME Pre K	1,115,585	1,074,467	41,118
Construction Mgmt	3,584,306	865,558	2,718,748
	<u>\$ 139,528,559</u>	<u>\$ 98,423,568</u>	<u>\$ 41,104,991</u>

**Note 6 - Long-term Liabilities**

The District's long-term liabilities consist of bond indebtedness and compensated absences. The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund.

**Changes in Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2017, was as follows:

	<b>Restated Balance July 1, 2016</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2017</b>	<b>Due Within One Year</b>
General Obligation Bonds	\$ 271,834,999	\$ 48,270,000	\$ (31,655,000)	\$ 288,449,999	\$ 9,180,000
Issuance Premium on Bonds	25,365,458	3,549,330	(1,612,616)	27,302,172	
Accreted interest on capital appreciation bonds	670,048	21,245		691,293	
Compensated absences payable	395,256	335,050	(196,413)	533,893	250,421
<b>Total Governmental Long-term Liabilities</b>	<u>\$ 298,265,761</u>	<u>\$ 52,175,625</u>	<u>\$ (33,464,029)</u>	<u>\$ 316,977,357</u>	<u>\$ 9,430,421</u>

**Note 6 – Long-term Liabilities (continued)**

**General Obligation Bonds**

General obligation bonds are direct obligations and pledge the full faith and credit of the District. These are issued as current interest bonds and term bonds with various amounts of principal maturing each year.

General obligation bonds currently outstanding are as follows:

<u>Issue</u>	<u>Original Issuance amount</u>	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Debt Outstanding</u>
Variable Rate Unlimited Tax School Building Bonds, Series 2006	\$ 18,550,000	3.3-4.85%	2034	\$ 1,010,000
Unlimited Tax School Building Bonds, Series 2008	24,999,992	3.5-4.75%	2034	600,000
Unlimited Tax School Building Bonds, Series 2011	17,465,000	2.625-4%	2022	9,500,000
Unlimited Tax Refunding Bonds, Series 2012	8,779,999	2-3.5%	2030	8,424,999
Unlimited Tax Refunding Bonds, Series 2013	48,240,000	1.5-5%	2037	46,570,000
Unlimited Tax Refunding Bonds, Series 2014	43,585,000	2-5%	2035	41,910,000
Unlimited Tax School Building Bonds, Series 2014	116,095,000	2-5%	2045	106,170,000
Unlimited Tax Refunding Bonds, Series 2015	25,995,000	4-5%	2039	25,995,000
Unlimited Tax Refunding Bonds, Series 2016	18,315,000	2-5%	2027	18,315,000
Unlimited Tax School Building Bonds, Series 2017	29,955,000	2-5%	2047	29,955,000
				<u>\$ 288,449,999</u>

Debt service requirements to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2018	\$ 9,180,000	\$ 12,503,309	\$ 21,683,309
2019	8,805,000	12,096,719	20,901,719
2020	9,210,000	11,733,764	20,943,764
2021	9,535,000	11,363,875	20,898,875
2022	9,950,000	10,940,932	20,890,932
2023-2027	46,044,999	49,048,732	95,093,731
2028-2032	56,305,000	36,667,307	92,972,307
2033-2037	70,250,000	23,016,175	93,266,175
2038-2042	41,560,000	9,082,700	50,642,700
2043-2047	27,610,000	1,902,700	29,512,700
	<u>\$ 288,449,999</u>	<u>\$ 178,356,213</u>	<u>\$ 466,806,212</u>

There are a number of limitations and restrictions contained in the general obligation bond indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions at June 30, 2017.

**Note 6 – Long-term Liabilities (continued)**

**Deferred Charge on Refunding**

The balance of deferred charge on refunding at June 30, 2017 was \$8,460,517 and is presented as a deferred outflow of resources in the Statement of Net Position:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Deferred</u> <u>Charge on New</u> <u>Issues</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2017</u>
Deferred charge on refunding	\$ 7,351,933	\$ 1,616,091	\$ (507,507)	\$ 8,460,517

**Current Year Long-Term Debt Issue**

On November 14, 2016, the District issued Unlimited Tax Refunding Bonds, Series 2016 totaling \$18,315,000. The proceeds from the sale of the Bonds will be used for (i) refund a portion of the outstanding Unlimited Tax School Building Bonds, Series 2006, Series 2008 and Series 2014 for debt service savings and (ii) paying the costs of issuance of the Bonds. The District deposited directly with the paying agent into an escrow fund the amount of approximately \$28,658,762, sufficient to provide the payment, redemption, or defeasance of all or a portion of the Defeased Bonds and such deposit shall continue the making of firm banking and financial arrangements for the discharge and final payment or redemption of the Defeased Bonds. The Defeased Bonds are no longer regarded as being outstanding, except for the purpose of being paid from funds on deposit in the escrow fund, the escrow proceeds were recorded as other financing uses in the debt service fund. Premiums on the bonds totaled \$3,145,764 and interest rates range from 2 percent to 5 percent. The District paid approximately \$299,487 in issuance costs. The reacquisition price exceeded the net carrying amount of the refunded debt by \$1,616,091; this resulted in a deferred outflow of resources amortized over the shorter of the life of the new or old debt. Total debt service payments after the refunding of bonds resulted in a net present value savings of \$10,610,523.

On January 10, 2017, the District issued Unlimited Tax School Building Bonds, Series 2017 totaling \$29,955,000. The proceeds from the sale of the Bonds will be used to pay for (i) the acquisition, construction and equipment of school buildings, and the purchase of school site and school buses, and (ii) the costs of issuance of the Bonds. Premiums on the bonds totaled \$403,566 and interest rates range from 2 percent to 5 percent. The District paid approximately \$356,241 in issuance costs.

**Refunding of Long-Term Debt**

The District defeased certain general obligation debt by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the refunded debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the District’s financial statements. At June 30, 2017, \$162,675,000 of defeased bonds remain outstanding.

**Note 6 - Long-term Liabilities (continued)**

**Capital Appreciation Bonds**

A portion of the bonds sold in the Series 2012 bond issues were capital appreciation bonds commonly referred to as “premium compound interest bonds.” The District annually records the appreciation of the bond principal for the accreted value of the bonds through maturity of the issue. The interest of these bonds series will be paid upon maturity. The following table summarizes the significant features of the individual bonds, by issue:

<u>Series</u>	<u>Accreted Value</u>	<u>Principal</u>	<u>Accreted Interest</u>	<u>Maturity Value</u>	<u>Maturity Date</u>
2012	\$ 701,292	\$ 9,999	\$ 691,293	\$ 925,000	2026

**Note 7 - Revenues from Local, Intermediate, and Out-of-State Sources**

During the current year, revenues from local and intermediate sources consisted of the following:

	<u>General Fund</u>	<u>Debt Service Funds</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Property Taxes	\$ 40,607,061	\$ 26,535,147	\$	\$	\$ 67,142,208
Penalties, interest and other tax related revenue	235,945	112,341			348,286
Investment Income	149,146	50,579	342,930	8,559	551,214
Co-curricular student activities	2,815,270			112,564	2,927,834
Chapter 313 Credit	1,431,491				1,431,491
Food Sales				881,517	881,517
Other	300,356	97,420		231,160	628,936
	<u>\$ 45,539,269</u>	<u>\$ 26,795,487</u>	<u>\$ 342,930</u>	<u>\$ 1,233,800</u>	<u>\$ 73,911,486</u>

**Note 8 - General Fund Federal Source Revenues**

For the year ended June 30, 2017, the General Funds reports the following federal revenues:

<u>Program or Source</u>	<u>CFDA #</u>	<u>Amount</u>
School Health and Related Service (SHARS)	N/A	\$ 1,932,021
E-rate	N/A	1,051,452
Medicaid Administrative Claiming (MAC)	93.778	8,806
Summer School LEP	84.369A	13,979
Indirect Costs - Department of Education	84.XXX	93,358
		<u>\$ 3,099,616</u>

**Note 9 - Operating Leases**

Commitments under operating lease (non-capitalized) agreements for facilities and equipment are subject to fiscal funding clauses. As such, the agreements are cancelable and the District is therefore not obligated for minimum future rental payments as of June 30, 2017.

Rental expenditures for the year ended June 30, 2017, amounted to \$411,643.

**Note 10 - Defined Benefit Pension Plan**

***Plan Description***

The District participates in a cost-sharing multi-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

***Pension Plan Fiduciary Net Position***

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

***Benefits Provided***

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic postemployment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (A) above.

***Contributions***

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

**Note 10 - Defined Benefit Pension Plan (continued)**

**Contributions (continued)**

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, GAA established the employer contribution rates for fiscal years 2015 and 2016.

	<b>Contribution Rates</b>	
	<b>Plan Fiscal year</b>	
	<b>2016</b>	<b>2017</b>
Member (Employee)	7.2%	7.7%
Non-employer contributing agency (State)	6.8%	6.8%
District	6.8%	6.8%

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the GAA. Contributions and pension expense for all contributors were as follows:

	<b>Measurement Year (2016)</b>		<b>Fiscal Year (2017)</b>	
	<b>Contributions</b>			
	<b>Required and Made</b>	<b>Pension Expense</b>	<b>TRS Contributions</b>	
Member (Employee)	\$ 4,124,358	\$	\$ 4,143,369	
Non-employer contributing agency (State)	2,782,010	3,426,899	2,742,578	
District	1,857,557	3,397,792	1,695,335	

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.



**Note 10 - Defined Benefit Pension Plan (continued)**

***Contributions (continued)***

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to:

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

***Actuarial Assumptions***

The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases	3.5% to 9.5% including inflation
Payroll Growth Rate	2.5%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

***Discount Rate***

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**Note 10 - Defined Benefit Pension Plan (continued)**

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 are summarized below:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Real Return Geometric Basis</b>	<b>Long Term Expected Portfolio Real Rate of Return*</b>
<b>Global Equity</b>			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
<b>Stable Value</b>			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
<b>Real Return</b>			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
<b>Risk Parity</b>			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
<b>Total</b>	<u>100%</u>		<u>8.7%</u>

\*The expected Contributions to Returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

**Note 10 - Defined Benefit Pension Plan (continued)**

*Discount Rate Sensitivity Analysis*

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2016 Net Pension Liability.

	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
	<b>7%</b>	<b>Discount Rate</b>	<b>9%</b>
	<u>7%</u>	<u>8%</u>	<u>9%</u>
District's proportional share of the net pension liability	\$ 34,192,162	\$ 22,092,768	\$ 11,830,035

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Inflows of Resources Related to Pension*

At June 30, 2017, the District reported a liability of \$22,092,768 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportional share of the net pension liability	0.0585%
District's proportionate share of the net pension liability	\$ 22,092,768
State's proportionate share of the net pension liability associated with the District	<u>33,022,025</u>
Total	<u>\$ 55,114,793</u>

The net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2015 through August 31, 2016.

At August 31, 2016 the employer's proportion of the collective net pension liability was 0.0585%, which was an increase from its proportion measured as of August 31, 2015 of 0.0565%.

**Changes since the Prior Actuarial Valuation:**

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

**Note 10 - Defined Benefit Pension Plan (continued)**

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Inflows of Resources Related to Pension (continued)*

For the year ended June 30, 2017, the District recognized pension expense of \$3,397,792 as well as revenue of \$3,426,899 representing pension expense incurred by the State on behalf of the District.

At June 30, 2017, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes in proportional share of contributions	\$ 3,694,970	\$ (1,970)
Changes in Assumptions	673,348	(612,382)
Differences between expected and actual experience	346,410	(659,677)
Difference between projected and current investment earnings	1,870,770	
District contributions subsequent to the measurement date	1,415,048	
Total	<u>\$ 8,000,546</u>	<u>\$ (1,274,029)</u>

The \$1,415,048 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30</b>	<b>Amount</b>
2018	\$ 893,001
2019	893,001
2020	2,086,269
2021	801,320
2022	466,502
2023	171,376
	<u>\$ 5,311,469</u>

**Note 11 - Retiree Health Plan**

***Plan Description***

The Manor Independent School District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas (TRS). TRS-Care provides health care coverage for certain persons (and their dependents) who retired under TRS. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, or by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications heading. The Texas Legislature determines the funding of benefits and has no continuing obligation to provide benefits beyond each fiscal year. Currently, the benefits of TRS-Care are financed through a combination of retiree premiums and percentage of payroll contributions from active employees, school districts, and the State of Texas.

***Funding Policy***

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas contribution rate was 1.00% of public school payroll for the period September 2013 through June 2016. Active public school employee contribution rates were 0.65% of public school payroll, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2016, 2015 and 2014. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For staff members funded by federal programs, the federal programs are required to contribute 1.00%.

Contributions made by the State, District, and staff members for the years ended June 30, 2017, 2016, and 2015 are as follows:

<b>For the Year Ended June 30</b>	<b>State TRS Care Contributions Made on Behalf of the District</b>	<b>District Required Contributions to TRS Care</b>	<b>Staff Members' Contributions to TRS Care</b>
2017	\$ 512,393	\$ 372,043	\$ 353,712
2016	531,608	352,336	369,897
2015	518,272	285,050	336,877

For the current fiscal year and each of the past two years, the District's contributions were equal to 100% of the required contributions. The contributions made by the State on behalf of the District have been recorded in the governmental funds financial statements of the District as both state revenues and expenditures. These contributions are the legal responsibility of the state.

**Note 11 - Retiree Health Plan (continued)**

The Medicare Prescription Drug Improvement and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. Medicare Part D contributions made on behalf of the District are recorded as equal revenues and expenditures in the governmental fund financial statements of the District. For the years ended June 30, 2017, 2016 and 2015, the subsidy payments received by TRS-Care on behalf of the District are as follows:

<u>Fiscal Year</u>	<u>Medicare Part D</u>
2017	\$ 171,391
2016	231,876
2015	159,467

**Note 12 - Risk Management**

**Property/Liability**

The District is exposed to various risks of loss related to property/liability losses for which the District carries commercial insurance. The district is covered on property insurance with a limit of \$242,139,909. Insurance coverage is limited to a maximum amount of \$500,000 per occurrence.

**Note 13 - Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of management and the District's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

**Note 14 - Other Postemployment Benefits**

The District does not provide postemployment healthcare benefits except those mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the district.

**Note 15 - Prior Period Adjustment**

*Correction of an Error*

The District recorded a prior period adjustment for the correction of errors related to several items during the current fiscal year upon evaluation of the current year end balances.

*Summary*

The following is a summary of the prior period adjustments to the net position of the governmental activities:

<b>Net Position as originally presented</b>	\$ 46,367,525
Prior Period Restatement	
Effect of correction of an error - understated payroll benefit liabilities in prior years	(698,190)
Effect of correction of an error - understated prior year receivable	55,809
Effect of correction of an error - understated liabilities in prior years	(289,436)
<b>Net Position as restated</b>	<u>\$ 45,435,708</u>

The following is a summary of the prior period adjustment to the fund balance in the governmental funds:

<b>Fund Balance as originally presented</b>	\$ 153,518,115
Prior Period Restatement	
Effect of correction of an error - understated payroll benefit liabilities in prior years	(698,190)
Effect of correction of an error - understated prior year receivable	55,809
Effect of correction of an error - understated liabilities in prior years	(289,436)
<b>Fund Balance as restated</b>	<u>\$ 152,586,298</u>

**Note 16 - Tax Abatement**

On December 17, 2012, the Manor ISD Board of Trustees approved an Agreement with Samsung Austin Semiconductor, LLC (Samsung) for a Limitation On Appraised Value of Property for School District Maintenance and Operations Taxes pursuant to the Chapter 313 of the Texas Tax Code, i.e., the Texas Economic Development Act, as set forth in Chapter 313 of the Texas Tax Code, as amended. Samsung qualified for a tax limitation agreement under Texas Tax Code §313.024(b)(5), as a manufacturing project.

Value limitation agreements are a part of a state program, originally created in 2001 which allows school districts to limit the taxable value of an approved project for Maintenance and Operations (M&O) for a period of years specified in statute. The project(s) under the Chapter 313 agreement must be consistent with the state’s goal to “encourage large scale capital investments in this state.” Chapter 313 of the Tax Code grants eligibility to companies engaged in manufacturing, research and development, renewable electric energy production, clean coal projects, nuclear power generation and data centers.

**Note 16 - Tax Abatement (continued)**

In order to qualify for a value limitation agreement, each applicant, including Samsung has been required to meet a series of capital investment, job creation, and wage requirements specified by state law. At the time of the application’s approval, the agreement was found to have done so by both the District’s Board of Trustees and the Texas Comptroller’s Office, which recommended approval of the project.

After approval, the applicant company must maintain a viable presence in the district for the entire period of the value limitation plus a period of years thereafter. In addition, there are specific reporting requirements, which are monitored on an annual and biennial basis in order to ensure relevant job, wage, and operational requirements are being met.

In the event that Samsung terminates this Agreement without the consent of the District, or in the event that the company or its successor-in-interest fails to comply in any material respect with the terms of this Agreement or to meet any material obligation under this Agreement, then the District shall be entitled to the recapture of all ad valorem tax revenue lost as a result of this Agreement together with the payment of penalty and interest, on that recaptured ad valorem tax revenue. Penalties on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code § 33.01(a), or its successor statute. Interest on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code § 33.01(c), or its successor statute. The agreement provides an administrative procedure to determine any company liability. Ultimately, enforcement of any payment obligation is through the local state district court.

As of the date of this report, the applicant company is in full compliance with all of its obligations under law and the agreement itself.

(A) Project Value 2017	(B) Project’s Value Limitation Amount 2017	(C) Amount of Applicant’s M&O Taxes Paid 2017	(D) Amount of Applicant’s M&O Taxes Reduced 2017	(E) Company Revenue Loss Payment to School District 2017	(F) Company Supplemental Payment To School District 2017	(G) Net Benefit (Loss) to the School District 2016 (C+E+F)
\$1,043,501,570	\$80,000,000	\$832,000	\$10,020,416	\$1,431,491	\$800,913	\$3,064,404

**Note 17 – Subsequent Event**

Subsequent to June 30, 2017, the District issued Unlimited Tax School Building Bonds, Series 2017A totaling \$51,190,000. The proceeds from the sale of the Bonds will be used to pay for (i) the acquisition, construction and equipment of school buildings, and the purchase of school site and school buses, and (ii) the costs of issuance of the Bonds.



**REQUIRED SUPPLEMENTARY INFORMATION**

**MANOR INDEPENDENT SCHOOL DISTRICT**

**BUDGETARY COMPARISON SCHEDULE**

**GENERAL FUND**

For the Year Ended June 30, 2017

Exhibit G-1

Data Control Codes	Budgeted Amounts			Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final			
<b>Revenues</b>					
5700	Local revenues	\$ 40,686,834	\$ 43,026,418	\$ 45,539,269	\$ 2,512,851
5800	State program revenues	35,488,906	35,765,100	35,655,679	(109,421)
5900	Federal program revenues	1,075,000	1,075,000	3,099,616	2,024,616
<b>5020</b>	<b>Total revenues</b>	<u>77,250,740</u>	<u>79,866,518</u>	<u>84,294,564</u>	<u>4,428,046</u>
<b>Expenditures</b>					
<b>Current:</b>					
0011	Instruction	45,007,006	41,731,734	39,772,177	1,959,557
0012	Instructional resources and media services	626,469	750,154	719,901	30,253
0013	Curriculum and staff development	1,440,952	1,709,906	1,405,432	304,474
0021	Instructional leadership	2,512,557	3,483,457	3,116,688	366,769
0023	School leadership	5,130,273	5,212,842	5,268,316	(55,474)
0031	Guidance, counseling and evaluation services	2,416,848	2,036,235	2,056,255	(20,020)
0032	Social work services	638,711	949,375	783,174	166,201
0033	Health services	770,225	1,087,320	849,642	237,678
0034	Student transportation	3,942,331	4,031,481	3,725,602	305,879
0036	Extracurricular activities	1,543,562	1,554,385	1,243,901	310,484
0041	General administration	3,610,986	3,713,089	3,542,418	170,671
0051	Facilities maintenance and operations	6,439,615	7,278,966	7,178,607	100,359
0052	Security and monitoring services	1,095,188	1,134,417	884,840	249,577
0053	Data processing services	2,256,805	2,601,204	2,056,958	544,246
0061	Community services	430,453	1,187,975	707,881	480,094
<b>Intergovernmental:</b>					
0095	Payments to Juvenile Justice Alt. Ed. Prgm.		15,000		15,000
0099	Payments to other governments	360,000	366,000	361,425	4,575
<b>6030</b>	<b>Total Expenditures</b>	<u>78,221,981</u>	<u>78,843,540</u>	<u>73,673,217</u>	<u>5,170,323</u>
1100	Excess (deficiency) of revenues over expenditures	<u>(971,241)</u>	<u>1,022,978</u>	<u>10,621,347</u>	<u>9,598,369</u>
<b>Other Financing Sources (Uses)</b>					
8949	Other uses	<u>(250,000)</u>			
<b>7080</b>	<b>Total other financing sources and uses</b>	<u>(250,000)</u>			
1200	Net change in fund balances	(1,221,241)	1,022,978	10,621,347	9,598,369
<b>0100</b>	<b>Fund balances - beginning</b>	22,786,623	22,786,623	22,786,623	
1300	Prior period adjustment			(710,028)	(710,028)
<b>3000</b>	<b>Fund balances - ending</b>	<u>\$ 21,565,382</u>	<u>\$ 23,809,601</u>	<u>\$ 32,697,942</u>	<u>\$ 8,888,341</u>

**MANOR INDEPENDENT SCHOOL DISTRICT**

*Exhibit G-2*

**NOTES TO BUDGETARY SCHEDULE**

*For the year ended June 30, 2017*

The District adopts annual appropriations type budgets for the General Fund, Child Nutrition Program Special Revenue Fund, and the Debt Service Fund using the same method of accounting as for financial reporting, as required by law. The remaining Special Revenue Funds (primarily federal grant programs) utilize a managerial type budget approved at the fund level by the Board of Trustees upon acceptance of the grants. These grants are subject to federal, state, and locally imposed project length budgets and monitoring through submission of reimbursement reports. The General Fund Budget report is presented on Exhibit G-1, the Child Nutrition Program Special Revenue fund budget report and the Debt Service Fund budget report appear on Exhibit J-2 and J-3, respectively.

Expenditures may not legally exceed budgeted appropriations at the function or activity level. Expenditure requests which would require an increase in total budgeted appropriations must be approved by the Trustees through formal budget amendment. State law prohibits trustees from making budget appropriations in excess of funds available and estimated revenues. State law also prohibits amendment of the budget after fiscal year end. Supplemental appropriations were made during the fiscal year ended June 30, 2017. During the year ended June 30, 2017, the Board of Trustees approved budget amendments increasing expenditures as follows:

	<u>General Fund</u>	<u>Child Nutrition Program</u>	<u>Debt Service Fund</u>
Amendments Approved	\$ 621,559	\$	\$

The administrative level at which responsibility for control of budgeted appropriations begins is at the organizational level within each function of operations. The finance department reviews the expenditure requests submitted by the various organizational heads (principal and department heads) throughout the year to ensure proper spending compliance. No public funds of the District shall be expended in any manner other than as provided for in the budget adopted by the Board of Trustees. The District exceeded the budget in certain functions.

The official school budget was prepared for adoption for budgeted governmental fund types by June 30, 2016. The budget was formally adopted by the Board of Trustees at a duly advertised public meeting prior to the expenditure of funds. The final amended budget is filed with the Texas Education Agency (TEA) through inclusion in the annual financial and compliance report.

**Budget Overages**

As of the end of the fiscal year, the District had budget overages in various functions in the General Fund but overall operated within the adopted final budget, the budget overages of \$55,474 in function 23, and \$20,020 in function 31 were due to underestimating summer school accruals.

**MANOR INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF**  
**THE NET PENSION LIABILITY**

*Exhibit G-3*

***Teacher Retirement System of Texas***  
***For the Last Three Measurement Years Ended August 31***

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.0585%	0.0565%	0.0424%
District's proportionate share of the net pension liability	\$ 22,092,768	\$ 19,972,776	\$ 11,330,541
State's proportionate share of the net pension liability associated with the District	<u>33,022,025</u>	<u>30,171,032</u>	<u>23,732,728</u>
Total	<u>\$ 55,114,793</u>	<u>\$ 50,143,808</u>	<u>\$ 35,063,269</u>
District's covered-employee payroll (for Measurement Year)	\$ 57,282,739	\$ 52,822,628	\$ 48,547,788
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	38.57%	37.81%	23.34%
Plan fiduciary net position as a percentage of the total pension liability *	78.00%	78.43%	83.25%
Plan's net pension liability as a percentage of covered-employee payroll *	92.75%	91.94%	72.89%

Notes:

- Ten years of data should be presented in this schedule but data is unavailable prior to 2014.
- Net pension liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 68.
- The amounts presented for each Plan year which ends the preceding August 31 of the District's fiscal year.

**MANOR INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**

*Exhibit G-4*

*Teacher Retirement System of Texas*  
*Last Three Fiscal Years Ended June 30*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 1,695,335	\$ 1,876,432	\$ 1,719,011
Contributions in relation to the contractual required contributions	<u>1,695,335</u>	<u>1,876,432</u>	<u>1,719,011</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>
District's covered employee payroll	\$ 54,437,245	\$ 57,058,223	\$ 51,812,156
Contributions as a percentage of covered employee payroll	3.11%	3.29%	3.32%

Notes:

- Ten years of data should be presented in this schedule but data is unavailable prior to 2015.
- Contribution data will be presented prospectively in accordance with GASB 68.

Effective September 1, 2014, employers who did not contribute Social Security for TRS-eligible employees were required to contribute an additional 1.5% of TRS-eligible compensation which nearly doubled the District's contributions into the Plan. Because the District's proportional share of the plan is determined by its proportional share of contributions, the District recognized a corresponding increase in its share of net pension liability.

**Changes of Assumptions**

There were no changes to the actuarial assumptions or other inputs that affected the total pension liability since the prior measurement period.

**Changes of Benefit Terms**

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

**OTHER SUPPLEMENTARY INFORMATION**

**MANOR INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**ALL NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2017**

<b>Data Control Codes</b>	<b>203</b>	<b>206</b>	<b>211</b>
	<b>Child Care Development</b>	<b>ESEA Title X Part C - Education for Homeless Children</b>	<b>ESEA Title I Part A - Improving Basic Programs</b>
<b>Assets</b>			
1110	Cash and cash equivalents	\$	\$
<b>Receivables:</b>			
1240	Receivables from other governments	959	21,422
1260	Due from other funds		750,981
1310	Inventories, at cost		
<b>1000</b>	<b>Total Assets</b>	<u>\$ 959</u>	<u>\$ 21,422</u>
		<u>\$ 750,981</u>	
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
2110	Accounts payable	\$	\$ 78,542
2150	Payroll deduction and withholdings payable		1,157
2160	Accrued wages payable		1,335
2170	Due to other funds	959	19,350
2190	Due to student groups		607,557
2300	Unearned revenues		
<b>2000</b>	<b>Total Liabilities</b>	<u>959</u>	<u>21,422</u>
			<u>750,981</u>
<b>Fund Balances:</b>			
<b>Restricted:</b>			
3450	Federal/State grant restrictions		
3490	Local grants		
<b>3000</b>	<b>Total fund balances</b>		
<b>4000</b>	<b>Total Liabilities and Fund Balances</b>	<u>\$ 959</u>	<u>\$ 21,422</u>
			<u>\$ 750,981</u>



224	225	240	244	255	263
<b>IDEA - Part B Formula</b>	<b>IDEA - Part B Preschool Grant</b>	<b>Child Nutrition</b>	<b>Career and Technical - Basic Grant</b>	<b>ESEA Title II, Part A - Teacher and Principal Training</b>	<b>Title III, Part A - English Language Acquisition</b>
\$	\$	\$ 1,745,928	\$	\$	\$
363,621	9,574	47,803	13,752	11,956	40,840
<u>\$ 363,621</u>	<u>\$ 9,574</u>	<u>\$ 1,813,465</u>	<u>\$ 13,752</u>	<u>\$ 11,956</u>	<u>\$ 40,840</u>
\$ 9,744	\$ 9,574	\$ 18,722	\$	\$	\$ 798
70,761		46,473			3,188
283,116		225,910	13,752	11,956	36,854
<u>363,621</u>	<u>9,574</u>	<u>291,105</u>	<u>13,752</u>	<u>11,956</u>	<u>40,840</u>
		1,522,360			
		<u>1,522,360</u>			
<u>\$ 363,621</u>	<u>\$ 9,574</u>	<u>\$ 1,813,465</u>	<u>\$ 13,752</u>	<u>\$ 11,956</u>	<u>\$ 40,840</u>

**MANOR INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**ALL NONMAJOR GOVERNMENTAL FUNDS**  
*June 30, 2017*

<u>Data Control Codes</u>	274	289	410
	<u>GEAR UP</u>	<u>Texas Literacy Initiative</u>	<u>Instructional Materials Allotment</u>
<b>Assets</b>			
1110 Cash and cash equivalents	\$	\$	\$
<b>Receivables:</b>			
1240 Receivables from other governments	97,289	533,669	
1260 Due from other funds			26,666
1310 Inventories, at cost			
<b>1000 Total Assets</b>	<u>\$ 97,289</u>	<u>\$ 533,669</u>	<u>\$ 26,666</u>
<b>Liabilities and Fund Balance</b>			
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
2110 Accounts payable	\$ 68,207	\$ 221,561	\$
2150 Payroll deduction and withholdings payable			
2160 Accrued wages payable			
2170 Due to other funds	29,082	312,108	
2190 Due to student groups			
2300 Unearned revenues			26,666
<b>2000 Total Liabilities</b>	<u>97,289</u>	<u>533,669</u>	<u>26,666</u>
<b>Fund Balances:</b>			
<b>Restricted:</b>			
3450 Federal/State grant restrictions			
3490 Local grants			
<b>3000 Total fund balances</b>			
<b>4000 Total Liabilities and Fund Balances</b>	<u>\$ 97,289</u>	<u>\$ 533,669</u>	<u>\$ 26,666</u>

429	461	498	499	Total Nonmajor Governmental Funds
<u>State Special Revenue Fund</u>	<u>Campus Activity Funds</u>	<u>Travis County Afterschool Grant</u>	<u>Local Grants</u>	
\$	\$ 130,599	\$	\$	\$ 1,876,527
124,520		815		2,017,201
			235,443	262,109
				19,734
<u>\$ 124,520</u>	<u>\$ 130,599</u>	<u>\$ 815</u>	<u>\$ 235,443</u>	<u>\$ 4,175,571</u>
\$ 80,364	\$ 9,765	\$	\$ 27,843	\$ 525,857
				47,630
			15,300	380,219
43,257		815		1,358,806
	120,834			120,834
			32,336	59,002
<u>123,621</u>	<u>130,599</u>	<u>815</u>	<u>75,479</u>	<u>2,492,348</u>
899				1,523,259
			159,964	159,964
<u>899</u>			<u>159,964</u>	<u>1,683,223</u>
<u>\$ 124,520</u>	<u>\$ 130,599</u>	<u>\$ 815</u>	<u>\$ 235,443</u>	<u>\$ 4,175,571</u>

**MANOR INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - ALL NONMAJOR GOVERNMENTAL FUNDS**  
*For the Year Ended June 30, 2017*

<u>Data Control Codes</u>	<b>203</b>	<b>206</b> ESEA Title X Part C - Education for Homeless Children	<b>211</b> ESEA Title I Part A - Improving Basic Programs
	<u>Child Care Development</u>	<u>Education for Homeless Children</u>	<u>Improving Basic Programs</u>
<b>Revenues</b>			
5700	\$	\$	\$
5800			
5900	959	30,531	1,813,659
5020	<u>959</u>	<u>30,531</u>	<u>1,813,659</u>
<b>Expenditures</b>			
<b>Current:</b>			
0011		4,336	678,182
0012			
0013			668,648
0021	959		259,372
0023			3,084
0031			10,166
0032		20,379	99,296
0034			
0035			
0036			
0053			
0061		5,816	94,911
6030	<u>959</u>	<u>30,531</u>	<u>1,813,659</u>
1200			
0100			
	_____	_____	_____
3000	<u>\$</u>	<u>\$</u>	<u>\$</u>

224	225	240	244	255	263
IDEA - Part B Formula	IDEA - Part B Preschool Grant	Child Nutrition	Career and Technical - Basic Grant	ESEA Title II, Part A - Teacher and Principal Training	Title III, Part A - English Language Acquisition
\$	\$	\$ 900,763 30,449	\$	\$	\$
1,253,111	9,574	4,791,622	84,888	26,623	321,885
<u>1,253,111</u>	<u>9,574</u>	<u>5,722,834</u>	<u>84,888</u>	<u>26,623</u>	<u>321,885</u>
844,554	9,574		84,888		114,507
7,341				15,893	38,025
1,183				10,730	169,353
400,033					
		6,332,615			
<u>1,253,111</u>	<u>9,574</u>	<u>6,332,615</u>	<u>84,888</u>	<u>26,623</u>	<u>321,885</u>
		(609,781)			
		2,099,901			
		32,240			
<u>\$</u>	<u>\$</u>	<u>\$ 1,522,360</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

**MANOR INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - ALL NONMAJOR GOVERNMENTAL FUNDS**  
*For the Year Ended June 30, 2017*

	274	289	410
<b>Data Control Codes</b>	<b>GEAR UP</b>	<b>Texas Literacy Initiative</b>	<b>Instructional Materials Allotment</b>
<b>Revenues</b>			
5700 Local, intermediate, and out-of-state	\$	\$	\$
5800 State program revenues			620,275
5900 Federal program revenues	288,505	2,219,824	
5020 <b>Total revenues</b>	<u>288,505</u>	<u>2,219,824</u>	<u>620,275</u>
<b>Expenditures</b>			
<b>Current:</b>			
0011 Instruction	87,385	1,536,799	620,275
0012 Instruction resources and media services			
0013 Curriculum and instructional staff development	31,157	605,158	
0021 Instructional leadership	79,273	62,745	
0023 School leadership	5,983	3,936	
0031 Guidance, counseling and evaluation services	6,360		
0032 Social work services			
0034 Student transportation			
0035 Food service			
0036 Extracurricular activities			
0053 Data processing services	20,299		
0061 Community services	58,048	11,186	
6030 <b>Total Expenditures</b>	<u>288,505</u>	<u>2,219,824</u>	<u>620,275</u>
1200 Net change in fund balances			
0100 <b>Fund balance - beginning</b>			
Prior period adjustment			
3000 <b>Fund balance - ending</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>

429	461	498	499	
<u>State Special Revenue Fund</u>	<u>Campus Activity Funds</u>	<u>Travis County Afterschool Grant</u>	<u>Local Grants</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 180,943	\$ 112,564	\$	\$ 220,473	\$ 1,233,800
				831,667
				10,841,181
<u>180,943</u>	<u>112,564</u>		<u>220,473</u>	<u>12,906,648</u>
98,342	23,189		58,587	4,160,618
			467	467
48,536	20,214		69,491	1,504,463
1,442			1,433	586,490
	54,937		14,086	82,026
			35,900	452,459
			3,984	123,659
			6,126	6,126
				6,332,615
			4,651	4,651
				20,299
31,832			227	202,020
<u>180,152</u>	<u>98,340</u>		<u>194,952</u>	<u>13,475,893</u>
791	14,224		25,521	(569,245)
108	239,805		134,443	2,474,257
	<u>(254,029)</u>			<u>(221,789)</u>
<u>\$ 899</u>	<u>\$</u>	<u>\$</u>	<u>\$ 159,964</u>	<u>\$ 1,683,223</u>

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**REQUIRED TEA SCHEDULES**

**MANOR INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF DELINQUENT TAXES RECEIVABLE**  
*For the Year Ended June 30, 2017*

<b>Last Ten Fiscal Years</b>	<b>1</b>		<b>2</b>	<b>3</b>	<b>10</b>
	<b>Tax Rates</b>			<b>Net Assessed/Appraised Value For School Tax Purposes</b>	<b>Beginning Balance 7/1/2016</b>
	<b>Maintenance</b>	<b>Debt Service</b>			
2008 and prior	Various	Various		Various	\$ 1,015,295
2009	1.040000	0.495000		3,148,096,352	75,787
2010	1.040000	0.475000		3,532,856,720	81,372
2011	1.040000	0.475000		3,143,297,300	70,566
2012	1.040000	0.475000		3,200,551,815	105,753
2013	1.040000	0.475000		3,250,287,925	153,250
2014	1.040000	0.475000		3,151,131,023	146,772
2015	1.040000	0.475000		4,186,459,208	211,886
2016	1.040000	0.475000		3,902,520,528	549,398
2017	1.040000	0.475000		4,670,138,746	
<b>1000 Totals</b>					<u>\$ 2,410,079</u>

*Exhibit J-1*

<b>20</b>	<b>31</b>	<b>32</b>	<b>40</b>	<b>50</b>
<b>Current Year's Total Levy</b>	<b>Maintenance Total Collections</b>	<b>Debt Service Total Collections</b>	<b>Entire Year's Adjustments</b>	<b>Ending Balance 6/30/2017</b>
\$	\$ 18,023	\$ 3,898	\$ (9,327)	\$ 984,047
	(5,922)	(2,819)	(14,247)	70,281
	4,680	2,138	(1,050)	73,504
	7,898	3,607	(7,820)	51,241
	14,868	6,791	(16,940)	67,154
	29,075	13,279	14,513	125,409
	34,344	15,686	17,794	114,536
	23,049	10,527	(40,075)	138,235
	9,226	4,214	(284,522)	251,436
<u>70,752,602</u>	<u>41,916,530</u>	<u>26,486,312</u>	<u>(1,719,276)</u>	<u>630,484</u>
<u>\$ 70,752,602</u>	<u>\$ 42,051,771</u>	<u>\$ 26,543,633</u>	<u>\$ (2,060,950)</u>	<u>2,506,327</u>
				<u>2,531,262</u>
				<u>\$ 5,037,589</u>

**MANOR INDEPENDENT SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
**CHILD NUTRITION PROGRAM**  
For the Year Ended June 30, 2017

Exhibit J-2

		<b>Child Nutrition Fund</b>			
		<b>Budgeted Amounts</b>		<b>Actual Amounts, Budgetary Basis</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Data Control Codes</b>	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
5700	Local revenues	\$ 877,000	\$ 877,000	\$ 900,763	\$ 23,763
5800	State program revenues	80,500	80,500	30,449	(50,051)
5900	Federal program revenues	4,211,015	4,211,015	4,791,622	580,607
<b>5020</b>	<b>Total revenues</b>	<u>5,168,515</u>	<u>5,168,515</u>	<u>5,722,834</u>	<u>554,319</u>
<b>Expenditures</b>					
<b>Current:</b>					
0035	Food services	6,548,708	6,548,708	6,332,615	216,093
<b>6030</b>	<b>Total Expenditures</b>	<u>6,548,708</u>	<u>6,548,708</u>	<u>6,332,615</u>	<u>216,093</u>
1200	Net change in fund balances	(1,380,193)	(1,380,193)	(609,781)	770,412
<b>0100</b>	<b>Fund balances - beginning</b>	2,099,901	2,099,901	2,099,901	
1300	Prior period adjustment			32,240	32,240
<b>3000</b>	<b>Fund balances - ending</b>	<u>\$ 719,708</u>	<u>\$ 719,708</u>	<u>\$ 1,522,360</u>	<u>\$ 802,652</u>

MANOR INDEPENDENT SCHOOL DISTRICT

Exhibit J-3

BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE FUND

For the Year Ended June 30, 2017

Data Control Codes		Debt Service			
		Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
		Original	Final		
	<b>Revenues</b>				
5700	Local revenues	\$ 27,700,683	\$ 27,700,683	\$ 26,795,487	\$ (905,196)
5800	State program revenues	222,755	222,755	238,297	15,542
<b>5020</b>	<b>Total revenues</b>	<u>27,923,438</u>	<u>27,923,438</u>	<u>27,033,784</u>	<u>(889,654)</u>
	<b>Expenditures</b>				
	<b>Debt Service:</b>				
0071	Principal on long-term debt	4,855,000	4,855,000	4,855,000	
0072	Interest on long-term debt	11,958,031	11,653,816	11,523,495	130,321
0073	Bond issuance costs and fees	20,000	324,215	322,751	1,464
<b>6030</b>	<b>Total Expenditures</b>	<u>16,833,031</u>	<u>16,833,031</u>	<u>16,701,246</u>	<u>131,785</u>
1100	Excess (deficiency) of revenues over expenditures	<u>11,090,407</u>	<u>11,090,407</u>	<u>10,332,538</u>	<u>(757,869)</u>
	<b>Other Financing Sources (Uses)</b>				
7901	Refunding bonds issued			18,315,000	18,315,000
7916	Premium on issuance of bonds			3,145,764	3,145,764
8949	Payment to bond refunding escrow agent			(28,658,762)	(28,658,762)
<b>7080</b>	<b>Total other financing sources and uses</b>			<u>(7,197,998)</u>	<u>(7,197,998)</u>
0100	Net change in fund balances	11,090,407	11,090,407	3,134,540	(7,955,867)
<b>1300</b>	<b>Fund balances - beginning</b>	<u>32,643,583</u>	<u>32,643,583</u>	<u>32,643,583</u>	
<b>3000</b>	<b>Fund balances - ending</b>	<u>\$ 43,733,990</u>	<u>\$ 43,733,990</u>	<u>\$ 35,778,123</u>	<u>\$ (7,955,867)</u>

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**FEDERAL AWARDS SECTION**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees  
Manor Independent School District  
Manor, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Manor Independent School District (the “District”), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise District’s basic financial statements, and have issued our report thereon dated December 13, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses, see finding 2017-001.

To the Board of Trustees  
Manor Independent School District

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies, see findings 2017-002 and 2017-003.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as findings 2017-002 and 2017-003.

### **District's Response to Findings**

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas  
December 13, 2017

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY *THE UNIFORM GUIDANCE***

To the Board of Trustees  
Manor Independent School District  
Manor, Texas

**Report on Compliance for Each Major Federal Program**

We have audited Manor Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

To the Board of Trustees  
Manor Independent School District

### ***Opinion on Each Major Federal Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as finding 2017-004. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as finding 2017-004 that we consider to be a significant deficiency.

To the Board of Trustees  
Manor Independent School District

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Whitley Penn LLP*

Houston, Texas  
December 13, 2017

**MANOR INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*For the Year Ended June 30, 2017*

**I. Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes, Finding 2017-001
Significant deficiencies identified that are not considered to be material weaknesses?	Yes, Finding 2017-002 and 2017-003
Noncompliance material to financial statements noted?	None reported

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	Yes, Finding 2017-004
Type of auditors' report issued on compliance with major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	Yes, Finding 2017-004

Identification of major programs	
Name of Federal Program or Cluster	CFDA Numbers
<b>U.S. Department of Agriculture:</b>	
<i>Child Nutrition Cluster:</i>	
School Breakfast Program	10.553
National School Lunch Program	10.555
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$750,000
Auditee qualified as low-risk auditee?	No

**MANOR INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
*For the Year Ended June 30, 2017*

**II. Financial Statement Findings**

**Material Weakness**

**Finding 2017-001 – Year-End Close Out Procedures**

*Criteria:* Proper internal controls require that standard fiscal year-end close out procedures are developed, formally documented, and implemented.

*Condition:* During the course of the audit, we noted that year- end close out procedures had not been performed to reconcile trial balance accounts to financial records. This is a repeat from Finding 2016-001.

*Cause:* Account reconciliations were not performed timely.

*Effect:* Management’s reliance upon the auditor to detect and make significant necessary adjustments is considered to be a material weakness in internal controls.

*Recommendation:* Management should establish fiscal year end close out procedures for all significant areas to ensure that all required entries are posted; trial balance accounts should be reconciled at year-end.

**Compliance and Other Matters**

**Finding 2017-002 – Supporting Documentation for Attendance Changes**

*Criteria:* Per sections 2.3.5 and 3.6.3 of the Texas Education Agency’s Student Attendance Accounting Handbook (SAAH), school districts must maintain proper documentation when changing a student’s attendance record from “Absent” to “Present” for Foundation School Program (FSP) funding purposes.

*Condition:* During the course of the audit, we requested an attendance change report for one regular attendance day and selected a total of 25 attendance changes that moved a student to a funded category. Our sample covered a total of three campuses. In seven (7) instances, the supporting documentation lacked the staff-prepared form explaining the student’s absence, in seven (7) separate instances the supporting documentation lacked the staff-prepared attendance roster for the selected student attendance, and in one (1) separate instance the supporting documentation was unable to support the attendance change to a funded category.

*Cause:* Documentation was not found by campus personnel.

*Effect:* The District is not in compliance with the Texas Education Agency’s SAAH’s documentation requirements and the lack of documentation could negatively affect the District’s FSP funding levels.

*Recommendation:* The District should ensure that all attendance changes are properly documented, maintained by the campuses, and are readily available for audit purposes.

**MANOR INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
*For the Year Ended June 30, 2017*

**II. Financial Statement Findings (continued)**

**Compliance and Other Matters (continued)**

**Finding 2017-003 – State Mandated Program Spending Requirement**

*Criteria:* The Texas Education Agency’s Financial Accountability and Resource Guide (FASRG) requires that the District expend at least 52% of the Foundation School Program allotment designated for State Compensatory Education on that specific program.

*Condition:* The District did not expend the required percentage of the Foundation School Allotment for State Compensatory Education by \$1,383,674 or 35% as required by the Texas Education Agency.

*Cause:* The District personnel did not monitor the requirement.

*Effect:* The District is not in compliance with the spending requirements established by the Texas Education Agency.

*Recommendation:* The District should evaluate its future spending to ensure that it maintains expenditures for State Compensatory Education at the level required by the Texas Education Agency.

**III. Federal Awards Findings and Questioned Costs**

**Finding 2017-004 – Child Nutrition Cluster – Equipment Management (CFDA 10.553 and 10.555)**

*Criteria:* Per the Uniform Guidance, a physical inventory of the property acquired under this federal award, must be taken and the results reconciled with the property records at least once every two years (2 CFR section 200.313(d)(2)).

*Condition:* The District has not taken take a physical inventory of property acquired under this federal award in the last two years. This is a repeat from Finding 2016-005.

*Cause:* Federal law was not followed.

*Effect:* The District is not in compliance with the Uniform Guidance equipment management compliance requirement.

*Questioned Cost:* Unknown.

*Recommendation:* The District should take appropriate steps to ensure a physical inventory of property is taken, the results reconciled with the property records at least once every 2 years and supporting documentation is maintained.



**MANOR INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2017

*Exhibit K-1*

(2A) Pass Through Entity Identifying Number	(1) Federal Grantor/ Pass-Through Grantor/ Program Title	District Fund Number	(2) Federal CFDA Number	(3) Federal Expenditures
<b>U.S. Department of Education</b>				
<b>Passed Through Texas Education Agency:</b>				
<b>Title I Part A:</b>				
17610101227907	<i>ESEA Title I Part A - Improving Basic Programs</i>	211	84.010A	\$ 1,241,907
17610112227907000	<i>Title I 1003(A) - Priority and Focus School</i>	211	84.010A	239,816
16610101227907	<i>ESEA Title I Part A - Improving Basic Programs</i>	211	84.010A	294,238
16610112227907000	<i>Title I 1003(A) - Priority and Focus School</i>	211	84.010A	55,657
<b>Total Title I Part A</b>				<b>1,831,618</b>
<b>Special Education Cluster:</b>				
176600012279076000	<i>IDEA-B Formula</i>	224	84.027A	1,096,176
166600012279076000	<i>IDEA-B Formula</i>	224	84.027A	189,135
176610012279076000	<i>IDEA-B Preschool</i>	225	84.173A	9,574
<b>Total Special Education Cluster</b>				<b>1,294,885</b>
17420006227907	<i>Carl D. Perkins Basic Grant</i>	244	84.048A	87,042
175110017110003	<i>Gaining Early Awareness and Readiness for Undergraduate Programs</i>	274	84.334S	288,505
17694501227907	<i>ESEA, Title II, Part A - Teacher and Principal Training and Recruiting</i>	255	84.367A	20,806
16694501227907	<i>ESEA, Title II, Part A - Teacher and Principal Training and Recruiting</i>	255	84.367A	7,095
17671001227907	<i>Title III, Part A - English Language Acquisition and Language Enhancement</i>	263	84.365A	272,513
16671001227907	<i>Title III, Part A - English Language Acquisition and Language Enhancement</i>	263	84.365A	53,927
69551602	<i>Summer School LEP</i>	199	84.369A	13,979
166460037110017	<i>Texas Literacy Initiative</i>	289	84.371C	2,255,036
<b>Total Passed Through Texas Education Agency</b>				<b>6,125,406</b>
<b>Passed Through Education Service Center Region X:</b>				
17-057	<i>ESEA, Title X, Part C - Education for the Homeless Children and Youth</i>	206	84.196A	30,531
<b>Total Passed Through Education Service Center Region X</b>				<b>30,531</b>
<b>Total U.S. Department of Education</b>				<b>6,155,937</b>
<b>U.S. Department of Health and Human Services</b>				
<b>Passed Through Texas Education Agency:</b>				
173921017110017	<i>PreKindergarten Partnership Planning</i>	203	93.575	959
<b>Total Passed Through Texas Education Agency</b>				<b>959</b>
<b>Passed Through Texas Health and Human Services:</b>				
N/A	<i>Medicaid Administrative Claiming Program – MAC</i>	199	93.778	8,806
<b>Total Passed Through Texas Health and Human Services</b>				<b>8,806</b>
<b>Total U.S. Department of Health and Human Services</b>				<b>9,765</b>

**MANOR INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
*For the Year Ended June 30, 2017*

*Exhibit K-1*  
*(continued)*

(2A) Pass Through Entity Identifying Number	(1) Federal Grantor/ Pass-Through Grantor/ Program Title	District Fund Number	(2) Federal CFDA Number	(3) Federal Expenditures
<b>U.S. Department of Agriculture</b>				
<b><u>Child Nutrition Cluster:</u></b>				
<b>Passed Through Texas Department of Agriculture:</b>				
	Non Cash Assistance (Commodities):			
CE-227907	<i>National School Lunch Program</i>	240	10.555	\$ 331,351
	<b>Total Passed Through Texas Department of Agriculture:</b>			<u>331,351</u>
<b>Passed Through Texas Department of Education:</b>				
	Cash Assistance:			
71401701	<i>School Breakfast Program</i>	240	10.553	1,194,424
71301701	<i>National School Lunch Program</i>	240	10.555	3,265,847
	<b>Total Passed Through Texas Department of Education:</b>			<u>4,460,271</u>
	<b>Total Child Nutrition Cluster</b>			<u>4,791,622</u>
	<b>Total Department of Agriculture</b>			<u>4,791,622</u>
	<b>Total Expenditures of Federal Awards</b>			<u>\$ 10,957,324</u>

**Note 1 - Basis of Accounting**

The District accounts for all awards under federal programs in the General and Certain Special Revenue Funds in accordance with the Texas Education Agency's *Financial Accountability System Resource Guide*. These programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement. Pass-through entity identifying numbers are presented where available.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned. Generally, unused balances are returned to the grantor at the close of specified project periods. The District has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 2 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the District under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

**Note 3 - Reconciliation to Basic Financial Statements**

The following is a reconciliation of expenditures of federal awards program per Exhibit K-1 and expenditures reported on Exhibit C-3:

<b>Total Expenditures of Federal Awards - Exhibit K-1</b>	\$ 10,957,324
SHARS	1,932,021
E-rate	<u>1,051,452</u>
<b>Total Federal Revenue - Exhibit C-3</b>	<u>\$ 13,940,797</u>

**MANOR INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)**

*Exhibit K-2*

**Note 4 - General Fund Expenditures**

Federal Awards reported in the general fund are summarized as follows:

SHARS	\$ 1,932,021
E-rate	1,051,452
Medicaid Administrative Claiming Program	8,806
Summer School LEP	13,979
Indirect Costs:	
ESEA Title I Part A - Improving Basic Programs	17,959
IDEA Part B - Formula	32,200
Carl D. Perkins Basic Grant	2,154
ESEA, Title II, Part A - Teacher and Principal Training and Recruiting	1,278
Title III, Part A - English Language Acquisition and Language Enhancement	4,555
Texas Literacy Initiative	35,212
	<u>\$ 3,099,616</u>

**MANOR INDEPENDENT SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
*For the Year Ended June 30, 2017*

Federal regulations, Title 2 U.S. Code of Federal Regulations Section 200.511 states, “The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings.” The summary schedule of prior audit findings must report the status of the following:

- All audit findings included in the prior audit’s schedule of findings and questioned costs and
- All audit findings reported in the prior audit’s summary schedule of prior audit findings except audit findings listed as corrected.

The Summary Schedule of Prior Audit Findings for the year ended June 30, 2017 has been prepared to address these requirements.

**Financial Statement Findings – Material Weakness**

**Finding 2016-001 – Year-End Close Out Procedures**

*Condition:* During the course of the audit, we noted that year- end close out procedures had not been performed to reconcile trial balance accounts to financial records. This is a repeat from Finding 2015-001.

*Status:* This situation continues to exist, see Finding 2017-001.

**Finding 2016-002 – Payroll Control Activities**

*Condition:* While gaining an understanding of internal controls, we noted that the Payroll Department has the ability to modify pay rates.

*Status:* This situation no longer exists.

**Finding 2016-003 – Payroll Control Activities**

*Condition:* During our review of selected payroll expenditures, it was noted that the District does not maintain effective internal control policies and procedures: Timesheets are not approved prior to payroll runs, in 4 instances the timesheets supporting the selected paycheck were unavailable for our review, in 18 instances the employee salary did not agree to the approved District compensation plan. This is a repeat from Finding 2015-005.

*Status:* We noted no similar instances during the current year audit.

**Federal Awards Findings and Questioned Costs**

**Finding 2016-004 – Child Nutrition Cluster – Fund Balance Levels (CFDA 10.553 and 10.555)**

*Condition:* During our analysis of the Child Nutrition Cluster balances and activity, we noted the Food service fund balance exceeded three month’s average operations expenditures. This is a repeat from Finding 2015-008.

*Status:* This situation no longer exists.

**MANOR INDEPENDENT SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (continued)**  
**For the Year Ended June 30, 2017**

**Federal Awards Findings and Questioned Costs (continued)**

**Finding 2016-005 – Child Nutrition Cluster – Equipment Management (CFDA 10.553 and 10.555)**

*Condition:* The District has not taken take a physical inventory of property acquired under this federal award in the last two years. This is a repeat from Finding 2015-009.

*Status:* This situation continues to exist, see Finding 2017-004.

**MANOR INDEPENDENT SCHOOL DISTRICT**  
**CORRECTIVE ACTION PLAN**  
*For the Year Ended June 30, 2017*

Federal regulations, Title 2 U.S. Code of Federal Regulations §200.511 states, “At the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in §200.516 Audit findings, a corrective action plan to address each audit finding included in the current year auditor's reports.”

The Corrective Action Plan for the year ended June 30, 2017 has been prepared to address these requirements.

**I. Corrective Action Plan**

**Finding 2017-001 – Year-End Close Out Procedures**

*Response:* The Staff agrees with the recommendation and will ensure that year end close out procedures include required entries posted as needed and that trial balances are reconciled at year-end.

*Contact Person:* Melanie Boutwell, Director of Finance

*Estimated Completion Date:* June 30, 2018

**Finding 2017-002 – Supporting Documentation for Attendance Changes**

*Response:* Staff agrees with the recommendation and will put in place procedures to ensure changes are properly documented, maintained by campuses, and are readily available for audit purposes.

*Contact Person:* Melanie Boutwell, Director of Finance

*Estimated Completion Date:* June 30, 2018

**Finding 2017-003 – State Mandated Program Spending Requirement**

*Response:* Staff agrees with the recommendation and will put in place procedures to monitor special population FSP spending requirements as required by TEA.

*Contact Person:* Melanie Boutwell, Director of Finance

*Estimated Completion Date:* June 30, 2018

**Finding 2017-004 – Child Nutrition Cluster – Equipment Management (CFDA 10.553 and 10.555)**

*Response:* Staff agrees with the recommendation and will conduct and document a physical inventory of property.

*Contact Person:* Melanie Boutwell, Director of Finance

*Estimated Completion Date:* June 30, 2018

